1974

GENSTAR

Contents

Pat
Perspec
when you get a chance.

Annual Meeting

The Annual General Meeting of Genstar Limited will be held on Wednesday, April 30, 1975 at 10.30 a.m., in the Auditorium, Mezzanine 2 of The Royal Bank of Canada Building, One Place Ville Marie, Montreal, Canada.

Version française

Les actionnaires qui désirent recevoir ce rapport en français sont priés d'en faire la demande au Secrétaire de la Société.

Form 10-K

Genstar Limited is incorporated under the laws of Canada. The company's shares are traded on the New York Stock Exchange among others and the company files an annual report on Form 10-K with the Securities and Exchange Commission, Washington, D.C. This report is available free of charge to our shareholders on request to the Secretary of the company.

Photographs

Page 3

1. Construction of hydro-electric power facilities in Northern Manitoba.
2. The 5,750 HP tug Seaspan Commodore built in the company's North Vancouver shipyard.
3. Housebuilding operations are carried on by three Genstar subsidiaries.
4. Chemical plant at Maitland, Ontario.

Page 9

1. Kiln at the company's Winnipeg cement plant.
2. Structural and architectural products in an all precast office building in Winnipeg.
3. Cement plant in Montreal, Quebec.
4. Bamberton cement plant on Vancouver Island, British Columbia.

Page 13

1. Operator installing a memory disk pack on a business computer system manufactured by Qantel Corporation, a venture capital investment.
2. Company-built home in Southern California.
3. Tug setting out from Vancouver on a 4,000 mile tow to the Canadian Arctic.
4. One of several converters at the chemical plant in Maitland, Ontario.

Directors

***Charles de Bar**
Deputy Chairman of the Board
Genstar Limited

Henry Blaise
Counsellor
Société Générale de Belgique
(Holding Company)

Frank S. Capon†
Consultant

***F. Campbell Cope, Q.C.†**
Partner
Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick
(Barristers and Solicitors)

John S. Duthie
Director
The Associated Portland Cement Manufacturers Limited

***August A. Franck**
Chairman of the Board and Chief Executive Officer
Genstar Limited

Louis A.-Lapointe, Q.C.
Chairman of the Board and President
Miron Company Ltd.
(Cement, Building Materials and Construction)

Raymond Lavoie†
President and Vice-Chairman of the Board
Crédit Foncier Franco-Canadien
(Mortgage Company)

***Angus A. MacNaughton**
President
Genstar Limited

James P. McAllister
Chairman of the Board
McAllister Bros. Inc.
(Marine Towing and Transportation)

***W. Earle McLaughlin**
Chairman and President
The Royal Bank of Canada

John D. Milne
Director
The Associated Portland Cement Manufacturers Limited

Max Nokin
Governor
Société Générale de Belgique
(Holding Company)

Robert G. Rogers
President and Chief Executive Officer
Crown Zellerbach Canada Limited
(Pulp and Paper Products)

Saul Simkin
Chairman of the Board and Chief Executive Officer
BACM Industries Limited
(Building Materials, Construction, Housing and Land Development)

***Ross J. Turner**
President
Genstar Western Limited

William S. Ziegler
Consultant

John L. Baker**
Chief Accountant
Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick
(Barristers and Solicitors)

Robert L. Munro**
Lawyer,
Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick
(Barristers and Solicitors)

Peter B.C. Samson**
Manager
Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick
(Barristers and Solicitors)

*Member of the Executive Committee
†Member of the Audit Committee

**The Board of Directors of Genstar consists of twenty directors. Following the resignation of certain directors in October 1974. Messrs. Baker, Munro and Samson were appointed. It is intended that they will be replaced in due course by other persons to serve on the Board of Directors.

Officers

Senior Officers

August A. Franck
Chairman of the Board and Chief Executive Officer

Charles de Bar
Deputy Chairman of the Board

Angus A. MacNaughton
President

Genstar Western Limited

Ross J. Turner
President

Edward Judd
Vice-President

Corporate Officers

George F. Michals
Vice-President

George W. Rutledge
Vice-President

Lorimer E. Whitworth
Vice-President

A. James Unsworth
General Counsel

E. Claude Molleur
Secretary

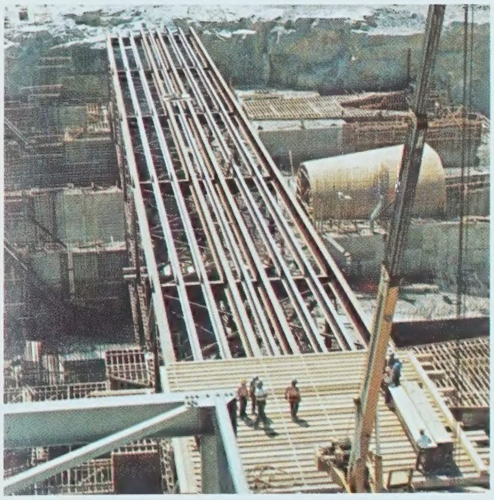
Hugh W. McAdams
Treasurer

Richard D. Paterson
Comptroller

Kenneth L. Merson
Assistant Treasurer

Financial Highlights

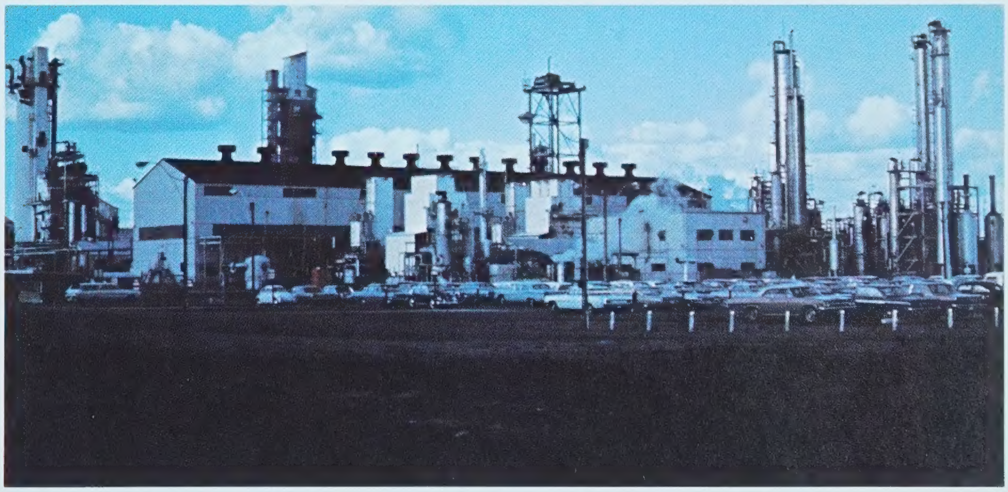
	1974	1973
Revenues	**$648,622,000**	$511,794,000
Funds from Operations	**64,606,000**	45,605,000
Depreciation, Depletion and Amortization	**24,244,000**	20,028,000
Net Income	**35,074,000**	25,029,000
Dividends on Common Shares	**11,577,000**	8,143,000
— per Share	**1.05**	0.80
Return on Net Assets	**8.98%**	7.59%
Net Income per Common Share		
Canadian Method		
Basic — First Quarter	**$ 0.30**	$ 0.18
Second Quarter	**0.90**	0.72
Third Quarter	**0.95**	0.85
Fourth Quarter	**0.91**	0.77
Year	**3.06**	2.52
Fully Diluted	**2.71**	2.18
United States Method		
Primary	**3.05**	2.51
Fully Diluted	**2.77**	2.24



1

2

3



4

Report of the Directors

August A. Franck
Chairman of the Board and Chief Executive Officer

1974 was another good year for Genstar. Revenues were $649 million compared to $512 million in 1973 and net income was $35 million or $3.06 per common share against $25 million and $2.52 per share. Dividends paid amounted to $1.05 per common share compared to $0.80 in 1973. These gains were achieved notwithstanding rapidly rising costs and considerable disruption of operations resulting from strikes and labor disputes in some of our own divisions and in the industries we serve.

The significant factors in our 1974 performance included a substantial improvement in chemical and fertilizer markets in Canada and the United States, increased volume of building materials and supplies and steady housing demand during the first half of the year.

For the year 1975, conditions created by simultaneous decline of demand for goods and services around the world, continued erosion of savings through inflation and the unprecedented problems of economic and financial readjustment due to the drastic changes in oil prices, give cause for concern.

Canada has been blessed with an abundance of agricultural, mineral and forest resources and is about the only developed nation self-sufficient in energy supplies. Thus, the Canadian economy has every chance to outperform the economies of most industrialized nations, provided fiscal and economic policies are sound.

The strongest elements of the Canadian economy, non-residential capital spending and business investment, are expected to exceed 1974 levels substantially. Genstar looks ahead with confidence. Our plants and facilities are being improved and renewed, our diversified base affords some protection against industrial and regional disparities and we are poised to participate fully in the expected gradual upturn of the Canadian and United States economies.

Significant Events
Capital expenditures for 1974 amounted to $56 million and a similar amount has been authorized for new plant and equipment, equipment replacement and plant modernization programs for 1975.

Included in these amounts are the following major expenditures:

$17 million for construction of two new aggregate plants now nearing completion in British Columbia.

$8 million for expansion of chemical and fertilizer manufacturing facilities at Maitland, Ontario which will double nitric acid and ammonium nitrate capacity during 1975.

$4.5 million for expansion of the shipyard in North Vancouver, now nearing completion. This new facility will allow for construction of ships up to 50,000 deadweight tons.

The above amounts do not include the estimated total of $60 million planned for the previously announced cement plant in British Columbia.

The company is participating in a joint venture to supply marine services to gas and oil projects in the North Sea.

Outlook
The chemical and fertilizer division is expected to show continuing good results in 1975 and some improvement of profit margins from the cement and construction divisions can be expected. Construction industry estimates of expenditures for 1975 at $27 billion represent an increase of about 15 per cent over 1974 levels. Demand for cement will continue firm in Western Canada, especially in Alberta, and pressure for completion of Olympics projects and hydro-electric development will maintain demand in Quebec.

Housing will remain soft in both Canada and the United States during the first half of 1975 but an upturn is forecast for the second half in response to government incentives and budget measures, easing of interest rates and greater availability of funds.

Board of Directors
Mr. Herbert H. Lank did not stand for re-election at the Annual General Meeting of Shareholders held on April 30, 1974, having reached normal retirement age. Mr. Lank served on Genstar's Board for five years and on the Executive Committee of the Board for three years. We are greatly indebted to him for his wise counsel and the unstinting energy he applied to the affairs of the company.

In order to permit the election of other directors, Messrs. Yves Boël, René Lamy, Charles Evrard and Julien Van Hove have resigned from the Board of Directors. To each, we express our appreciation and sincere thanks for his valuable contribution to the company's progress.

The following new members were elected to the Board in 1974: Mr. John S. Duthie, Director, The Associated Portland Cement Manufacturers Limited of London; Mr. Robert G. Rogers, President and Chief Executive Officer of Crown Zellerbach Canada Limited, Vancouver; Mr. Louis A.-Lapointe, Q.C., Chairman of the Board and President of Miron Company Ltd., Montreal and Mr. Raymond Lavoie, Vice-Chairman, President and Chief Executive Officer of Crédit Foncier Franco-Canadien, Montreal.

Members of the Board of Directors have asked me to express their whole-hearted appreciation to the many employees at all levels in our divisions and subsidiaries who made such an outstanding contribution to Genstar's operations and progress in 1974.

Review of Operations
In the following pages Genstar operations are reviewed in detail by industrial category.

On behalf of the Board

Franck

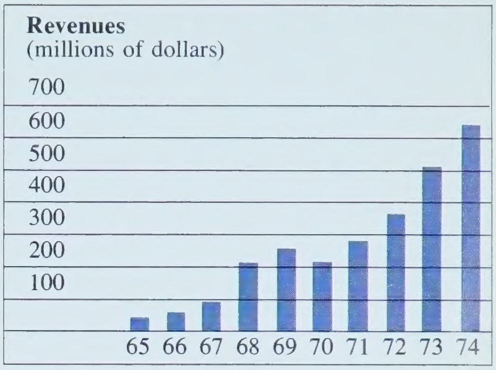
A. A. Franck
Chairman and
Chief Executive Officer

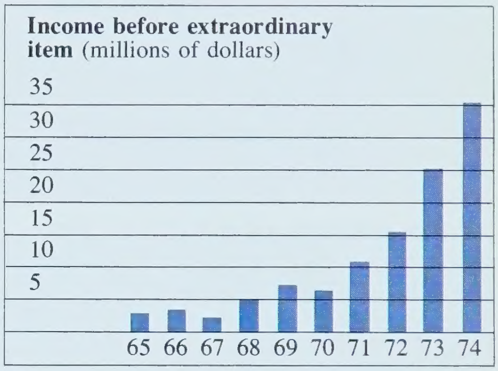
Montreal, Canada
February 19, 1975

Financial Review

	1974	1973	1972
Summary of operations *(thousands of dollars)*			
Revenues	**$648,622**	$511,794	$369,791
Depreciation, depletion and amortization	**24,244**	20,028	16,260
Interest	**17,815**	12,487	10,103
Provision for income taxes	**33,900**	23,000	13,462
Income before extraordinary item	**35,074**	25,029	15,119
Net income	**35,074**	25,029	14,432
Per common share			
Income before extraordinary item	**$ 3.06**	$ 2.52	$ 1.66
Net income	**3.06**	2.52	1.58
Dividends	**1.05**	.80	.65
Funds from operations	**5.86**	4.60	3.42
Market range	**12¾-20**	14-19½	12¾-18
Return on net assets*	**8.98%**	7.59%	5.90%
Other statistics *(thousands except employees)*			
Dividends — Preferred	**$ 1,319**	$ —	$ —
— Common	**11,577**	8,143	5,863
Working capital	**66,242**	65,963	50,956
Properties, plants and equipment	**443,841**	403,636	257,638
Long-term debt	**93,209**	109,086	103,596
Common shareholders' equity	**202,886**	176,264	136,290
Common shares outstanding — Average	**11,031**	9,921	9,124
— Actual	**11,125**	10,813	9,176
Number of employees	**10,181**	10,040	7,270

1971	1970	1969	1968	1967	1966	1965
$280,587	$210,745	$253,326	$208,582	$ 98,602	$ 51,965	$ 42,832
11,113	10,501	10,222	8,019	5,588	4,919	4,374
7,059	7,341	6,893	5,273	2,439	2,055	1,686
9,508	5,374	8,997	6,012	2,433	3,203	2,191
10,635	6,408	6,734	4,998	2,881	3,770	3,290
10,635	5,843	8,651	5,054	3,903	4,209	3,319
$ 1.19	$ .75	$ .90	$ .74	$ .45	$ .60	$ .52
1.19	.68	1.16	.75	.61	.67	.52
.60	.40	.70	.65	.65	.65	.60
2.50	2.20	2.84	2.46	1.67	1.94	1.64
10-13½	7½-13½	10½-17⅜	13-18¼	10⅛-16⅞	10¼-13	11¾-14
4.84%	3.98%	4.56%	3.66%	2.87%	4.23%	3.76%
$ —	$ —	$ —	$ —	$ —	$ —	$ —
5,312	3,523	4,915	4,180	3,165	3,056	2,821
18,304	20,790	40,084	26,961	3,272	3,036	3,806
253,674	169,267	180,996	163,188	104,064	100,701	92,731
85,492	50,301	58,549	62,946	28,506	26,515	28,447
126,824	119,880	104,640	86,904	80,158	77,013	75,718
8,961	8,549	7,452	6,720	6,415	6,325	6,325
9,096	8,940	7,914	6,949	6,490	6,325	6,325
6,265	4,310	5,100	4,600	1,900	1,900	1,800





***Return on Net Assets**

Return on net assets is calculated by dividing income before interest and after taxes by the total of interest-bearing debt, deferred income taxes and shareholders' equity. The company has adopted this ratio to measure performance since it eliminates many of the debt allocation problems associated with return on equity in a multi-divisional company such as Genstar.

Review of Operations

The following pages contain comments, results of operations, net assets and return on net assets by industrial category. The categories have been further segregated in 1974 in an effort to provide a basis for comparison of businesses in which Genstar operates. The major changes in presentation include the segregation of the building materials, construction and land development and housing division into three categories, the reclassification of the California venture capital and real estate division, and the addition of operations of Miron Company Ltd., acquired effective December 31, 1973, to the building materials, cement and construction industrial categories. For comparative purposes, results in each industrial category have been restated for the years 1970 to 1973.

Building Materials

Genstar produces a broad variety of building materials and supplies including ready-mix concrete, precast and prestressed concrete structural and architectural products, concrete blocks, pipe, masonry supplies and asphalt. The company also manufactures "Truroc" gypsum wallboard and produces sand, crushed stone, gravel and lightweight shale aggregates for sale to third parties and for use in its own manufacturing and construction activities. These products are manufactured in 94 plants located in strategic market areas in both Western and Eastern Canada.

Construction trade strikes in Saskatchewan, British Columbia and Quebec during the early part of the year caused delays in the start of many projects. The strike in Saskatchewan lasted 12 weeks and those in the Vancouver and Montreal areas created delays in product shipments during May and June. However, demand for building materials in Western Canada was strong throughout the remainder of the year, especially in Alberta.

Widespread unrest in the construction industry in Quebec affected the company's production and sale of aggregates, ready-mix concrete and other concrete products.

Selling prices lagged behind increases in material and labor costs and depletion of certain gravel pits in British Columbia added further to production costs.

Current capital expenditures for the building materials division total $25 million, of which $17 million is for development of two new gravel plants in British Columbia. A further $8 million is earmarked for equipment replacement and plant modernization programs at various locations.

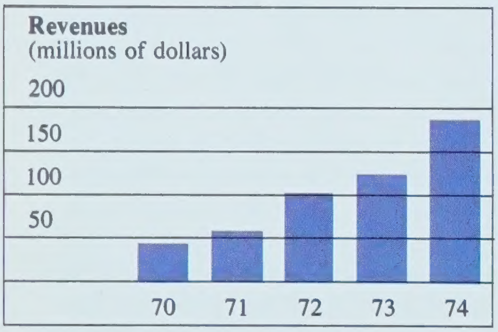
The precast and prestressed concrete division was awarded an $8 million contract for the manufacture and erection of concrete structural and architectural members for the new Calgary International Airport. Genstar's expertise in this field, combined with generally favorable forecasts for the construction industry in Western Canada during 1975, indicate a high level of production for the current year.

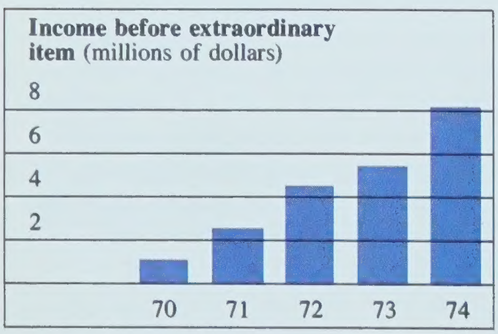
The company's new gypsum wallboard plant in Vancouver was completed early in 1975. Production from this plant is for sale in British Columbia and will eliminate the higher rates involved in shipping wallboard into this important market from plants in Saskatchewan and Alberta.

A high level of domestic competition as well as an overflow of gypsum wallboard from depressed United States markets combined with higher costs of labor and raw materials resulted in lower profit margins in 1974.

The slowdown in residential construction in 1975 will have some effect on sales of ready-mix concrete and concrete pipe. This should be offset, however, by an expected increase in non-residential construction.

Construction labor contracts in British Columbia do not expire until the end of 1975 and prospects indicate a year of relative labor peace. Construction trades contracts in Manitoba and Alberta, however, must be renegotiated and are expected to prove critical to results in these provinces.





	1974	1973	1972	1971	1970
			(thousands of dollars)		
Revenues	**177,992**	125,083	101,582	59,582	46,464
Costs and expenses					
Cost of sales	**136,761**	93,757	75,457	45,412	35,220
Selling, general and administrative	**14,347**	10,709	9,116	4,335	3,724
Depreciation, depletion and amortization	**6,431**	5,426	5,081	3,102	2,866
Interest on long-term debt	**2,427**	2,905	1,137	775	819
Other interest	**1,994**	1,036	1,145	648	1,289
	161,960	113,833	91,936	54,272	43,918
Income before the following	**16,032**	11,250	9,646	5,310	2,546
Provision for income taxes	**7,837**	5,711	5,083	2,781	1,368
Income before extraordinary item	**$ 8,195**	$ 5,539	$ 4,563	$ 2,529	$ 1,178
Net assets	**$121,439**	$ 81,261	$ 74,793	$ 47,760	$ 36,114
Return on net assets	**8.61%**	9.20%	7.54%	6.71%	5.96%


1


2


3


4

Cement

Genstar is the second largest manufacturer of cement in Canada, marketing normal portland cement and specialty products such as high early strength, sulphate resistant, oil well and masonry cements. The company's five manufacturing plants, located at Bamberton, British Columbia; Edmonton, Alberta; Regina, Saskatchewan; Winnipeg, Manitoba and Montreal, Quebec have a total combined capacity of about 2,800,000 tons per year.

Excellent construction weather and strong demand throughout the year kept company plants operating at near capacity. Demand was particularly strong in Alberta from June through to year-end.

Winterization of the Winnipeg plant was completed as scheduled and the plant was modified to operate on oil as well as natural gas in order to take advantage of available fuel supplies. A computerized production control system at the Edmonton plant was completed on schedule, allowing for better quality control and more economical use of raw materials.

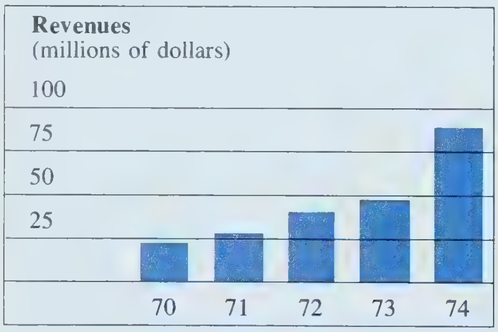
In October the company announced plans to build a new major cement plant on the British Columbia mainland. Total cost of the project, when completed, is estimated to be $60 million. The new plant will have an annual capacity of 750,000 tons, bringing total capacity in British Columbia to 1,350,000 tons. The initial phase of the project, including engineering and site preparation, is now underway.

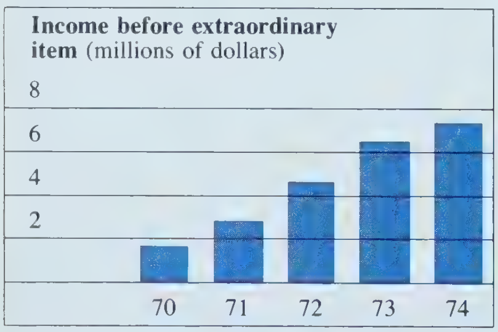
Cement operations in Eastern Canada were affected by a strike at the Montreal plant and by the general disruption of major projects as a result of labor conflicts which affected the Quebec construction industry as a whole. Exports of clinker from the Montreal plant were also seriously reduced due to strikes which tied up marine traffic on the St. Lawrence River and the Great Lakes.

Profit on sales of cement and clinker suffered as a result of increases in fuel costs and labor rates that exceeded price increases. Additional price increases effective from January 1st this year were instituted in order to counteract the trend of declining margins. Fuel costs, particularly in Western Canada, have increased substantially again in 1975 and labor contracts at the four plants in Western Canada expire during the second half of the year.

While serious problems affecting the construction industry in Quebec must be solved through co-operation of government, labor and management, the urgency of completing major projects related to the 1976 Olympics and resource development will, hopefully, have a moderating effect.

Strong demand for cement products in both Quebec and Western Canada throughout 1975 should, on balance, have a favorable effect on revenues and net income.





	1974	1973	1972	1971	1970
		(thousands of dollars)			
Revenues	**88,759**	49,927	42,808	26,009	23,851
Costs and expenses					
Cost of sales	**58,457**	29,357	25,569	15,130	14,900
Selling, general and administrative	**7,889**	3,656	3,444	2,430	2,416
Depreciation, depletion and amortization	**4,904**	3,106	3,059	2,019	2,119
Interest on long-term debt	**2,054**	900	1,229	441	571
Other interest	**730**	308	319	348	244
	74,034	37,327	33,620	20,368	20,250
Income before the following	**14,725**	12,600	9,188	5,641	3,601
Provision for income taxes	**7,268**	6,048	4,484	2,769	1,881
Income before extraordinary item	**$ 7,457**	$ 6,552	$ 4,704	$ 2,872	$ 1,720
Net assets	**$77,675**	$47,455	$49,472	$41,944	$44,915
Return on net assets	**11.42%**	15.13%	11.11%	7.81%	4.70%

Housing and Land Development

House building operations are carried on by three Genstar subsidiaries, one of which operates exclusively in California; another exclusively in the city of Calgary, Alberta; and the third through 25 sales offices in Western Canada. While many of the homes are built using conventional on-site methods, a substantial portion of those built in Western Canada are constructed of preassembled sections and component packages designed and manufactured at a company plant in Calgary. In Western Canada the company is engaged primarily in the construction of single family dwellings, while in California the market encompasses single family, duplex, townhouse and condominium units.

The company is engaged in land development in Western Canada where tracts of land are assembled and improved through installation and construction of sanitary and storm sewers, water distribution systems, roads, sidewalks, street lighting and other community services. More than half of the developed lots are sold to other builders and the balance is used internally. The company has a land position which totalled approximately 14,600 acres at year-end 1974.

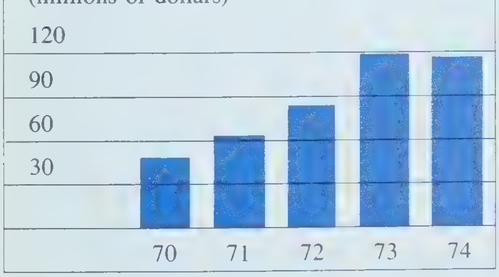
Sales of single family dwellings in Western Canada were well ahead of 1973 during the first half of the year but declined during the second half as economic growth faltered and consumer interest in home purchases waned. However, an upturn is expected in Western Canada markets by mid-year, or perhaps earlier, depending on a return of consumer confidence which may be influenced by government policies to stimulate the housing business.

In California, the general softening in the economy and high interest rates had an adverse effect on the availability of funds from savings and loan institutions, the primary source of private housing mortgage money in the United States. The same upward trend is expected in California housing markets by mid-1975 as savings deposits gravitate back into savings and loan institutions.

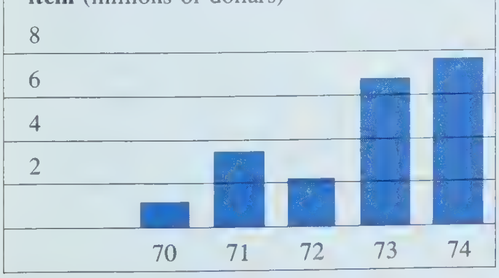
The company also develops and sells shopping centre properties in California which range in size from 5 to 80 acres. The development process includes market analysis, site selection, optioning property, obtaining necessary government approvals, negotiating leases with major tenants, securing construction and long-term financing, purchasing the property, directing the project architect and contractors and hiring management for the centre.

At year-end, 17 shopping centres were in various stages of development in the Western United States. Despite a general slowdown in the economy in 1974, sales of shopping centre properties were not adversely affected and prospects for 1975 continue to be favorable.

Revenues
(millions of dollars)



Income before extraordinary item (millions of dollars)



	1974	1973	1972	1971	1970
	(thousands of dollars)				
Revenues	**119,050**	119,709	84,528	63,404	49,025
Costs and expenses					
Cost of sales	**85,696**	92,606	67,883	48,247	39,690
Selling, general and administrative	**12,593**	10,426	9,004	6,406	5,745
Depreciation	**701**	650	594	314	135
Interest on long-term debt	**1,553**	1,675	1,212	806	603
Other interest	**2,520**	1,033	1,263	888	516
	103,063	106,390	79,956	56,661	46,689
Income before the following	**15,987**	13,319	4,572	6,743	2,336
Provision for income taxes	**8,431**	6,667	2,408	3,370	1,200
Income before extraordinary item	**$ 7,556**	$ 6,652	$ 2,164	$ 3,373	$ 1,136
Net assets	**$120,368**	$ 83,606	$ 87,125	$ 78,410	$ 62,875
Return on net assets	**7.88%**	9.57%	3.83%	5.38%	2.67%

Construction

The company's construction business includes the building of hydro electric power installations, airport projects, dams, highways, reservoirs, pumping stations, site preparation work, concrete and asphalt pavements, sewer and water installations and mine site development.

Work continued on Manitoba Hydro's Nelson River development and contracts totalling $20 million on the Ominawin Channel and Kiskitto Lake projects were completed. The company is also involved in joint ventures totalling $165 million for work at Jenpeg, South Bay and Long Spruce in Northern Manitoba.

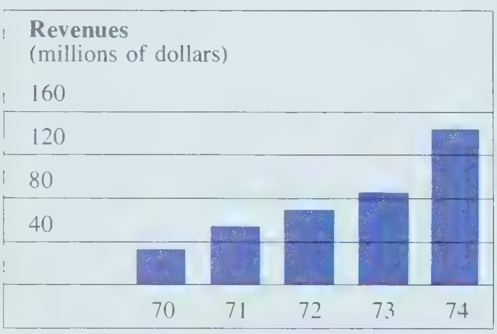
During 1974, the company received an $8 million site preparation contract for the Syncrude Canada Limited oil recovery plant in the Athabasca Tar Sands area of Alberta. Other major contracts were for mine site development work in Northern Ontario and runway construction at Calgary International Airport.

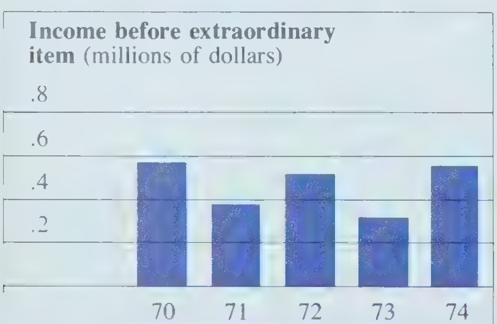
In Quebec, the company completed work on a $10 million road contract in connection with the James Bay hydro-electric power project. Work is proceeding on three extensions of the Montreal subway system, totalling $22 million, a $15 million contract for a portion of the autoroute to the new Mirabel International Airport on the outskirts of Montreal, and a number of other projects involving municipal services and shopping centre developments.

In addition to activities in the heavy construction field, the company is involved in the installation of municipal utility services. The demand for these services in the Greater Montreal area and throughout Western Canada, in major urban centres as well as in resource communities such as Fort McMurray, Alberta, was particularly strong. Excellent weather conditions late into the fall allowed construction operations to make up lost time due to poor weather in the earlier part of the year. A substantial amount of construction work is carried out in connection with the company's own land development and housing projects in Western Canada.

The general outlook for non-residential construction in Western Canada during 1975 is good.

Strong competition in the Quebec construction industry, escalating costs of labor and materials and the general disruption caused by labor problems, seriously affected the company's construction operations in the Province to the extent that 1974 was not a profitable year. However, the completion of facilities for the 1976 Olympics and other major public works projects planned for 1975 and beyond, together with some improvement in labor relations in the Province, provide grounds for optimism.





	1974	1973	1972	1971	1970
	(thousands of dollars)				
Revenues	**143,209**	80,475	69,755	56,902	34,855
Costs and expenses					
Cost of sales	**128,424**	68,195	57,502	48,110	26,901
Selling, general and administrative	**5,327**	4,346	4,286	3,536	3,168
Depreciation and depletion	**6,462**	5,759	5,010	3,287	2,411
Interest on long-term debt	**977**	861	981	621	430
Other interest	**799**	666	883	551	706
	141,989	79,827	68,662	56,105	33,616
Income before the following	**1,220**	648	1,093	797	1,239
Provision for income taxes	**657**	329	576	417	666
Income before extraordinary item	**$ 563**	$ 319	$ 517	$ 380	$ 573
Net assets	**$ 43,754**	$ 38,118	$ 39,116	$ 39,529	$ 30,874
Return on net assets	**3.16%**	2.81%	3.58%	2.37%	3.56%

1

2

3

4

Chemicals and Fertilizers

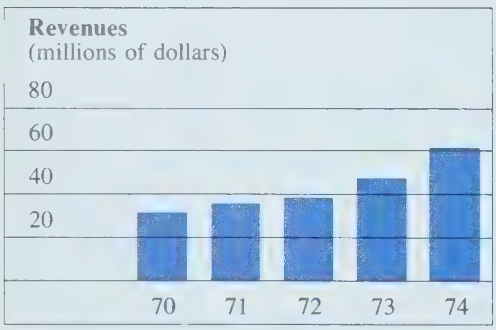
Genstar manufactures industrial chemicals and fertilizer materials, including ammonia, nitric acid, ammonium nitrate, urea, hydrogen, and carbon dioxide at Maitland, Ontario. Mixed fertilizers are manufactured at 16 plants in Eastern Canada and one in Maine for distribution primarily in the provinces of Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and in the states of Maine, New York and Vermont.

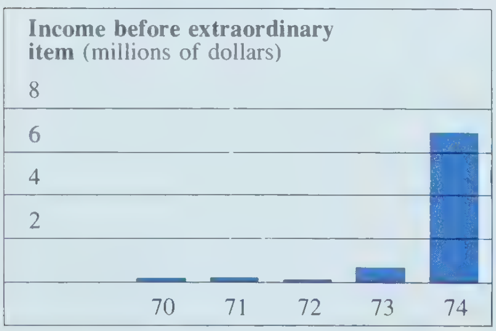
The cycle of below average earnings for the chemical and fertilizer industries in North America has swung in the other direction for the foreseeable future. Strong world-wide demand for nitrogen-based products, aggravated by shortages of production capacity and natural gas, is reflected in substantially increased selling prices for these products.

Industrial users of nitrogen have become increasingly important in the customer mix, particularly the explosives industry which has and will continue to have high demand for ammonium nitrate.

The company experienced some difficulty in obtaining raw materials for fertilizers, particularly phosphates, but plant facilities operated at near capacity throughout the year. Expansion of facilities announced in 1974 will, during 1975, double nitric acid production. Ammonium nitrate capacity will triple by the end of 1975 as a result of purchase of an ammonium nitrate plant and expansion of the existing facility. Total cost of the entire expansion program will be $8 million.

The continuing world-wide shortage of fertilizer materials combined with further substantial increases in fuel costs, labor and raw materials indicate still higher selling prices. The outlook for 1975 is encouraging.





	1974	1973	1972	1971	1970
			(thousands of dollars)		
Revenues	**60,915**	47,309	38,906	36,689	32,931
Costs and expenses					
Cost of sales	**40,491**	39,114	31,998	29,630	26,396
Selling, general and administrative	**4,547**	4,087	4,039	3,994	3,493
Depreciation	**2,072**	2,166	2,108	2,098	2,074
Interest on long-term debt	**609**	474	620	441	533
Other interest	**468**	168	85	369	224
	48,187	46,009	38,850	36,532	32,720
Income before the following	**12,728**	1,300	56	157	211
Provision for income taxes	**6,013**	642	22	56	115
Income before extraordinary item	**$ 6,715**	$ 658	$ 34	$ 101	$ 96
Net assets	**$42,198**	$42,851	$44,274	$44,168	$43,633
Return on net assets	**17.26%**	2.29%	0.87%	1.41%	1.01%

Marine

The company's marine operations in Western and Eastern Canada, with a total of 48 tugs and 228 barges, are engaged in the transportation of a wide variety of products including, on the West Coast, such bulk commodities as wood chips, limerock, petroleum products, chemicals, logs, lumber and packaged freight. The company provides ship docking services in a number of British Columbia ports and in Montreal, marine salvage and oil pollution control on the West Coast, St. Lawrence River and the Great Lakes and operates rail car barges and terminals servicing major railroads in British Columbia and the United States.

The severe slump in the British Columbia forest products industry reduced revenues from this source in 1974, but higher revenues from the transportation of oil and chemicals and from general towing services helped to offset these losses.

Company tugs participated again in 1974 in the annual sealift of equipment and supplies to resource development projects in the Canadian Arctic and this business is expected to continue to grow over the next decade. Genstar also participates in a joint venture to provide tug and barge service to oil drilling and pipe laying operations in the North Sea.

Revenues from the company's shipyard operations in North Vancouver increased by 40 per cent over 1973 and a further substantial increase is anticipated in 1975 as a result of a major $4.5 million expansion of shipyard facilities to be completed this spring. The new facilities will allow the company to build ships up to 50,000 deadweight tons.

Contracts on hand at year-end totalled approximately $22 million, $18 million of which remains to be completed. Included in the total is $14 million for a 457-foot truck-trailer ferry for B. C. Ferries, two fireboats for the federal government and three tugs for the company's own marine operations.

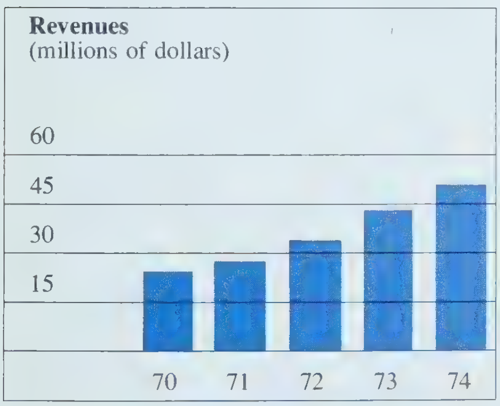
The shipyard had a high volume of repair work during 1974, and total employment is expected to reach 550 by mid-1975.

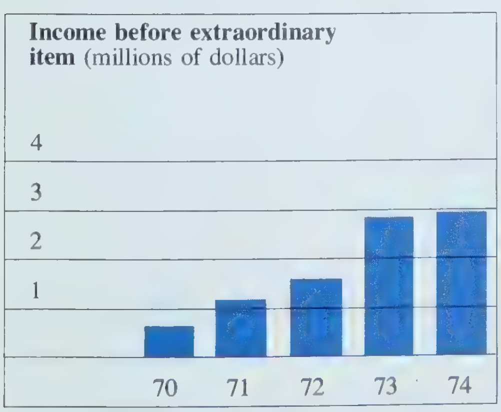
A further decline in ship docking revenues in the Port of Montreal was more than offset by an increase in marine salvage operations in Eastern Canadian and U. S. waters.

The containment and clean-up of oil spilled by ships, rail cars and storage tanks also increased as the company's pollution control services were extended during the year to include New Brunswick as well as Quebec and Ontario.

The outlook for the company's marine operations as a whole is for a modest increase in net income for 1975. The extent of this increase will depend in large measure on the strength of the forest products industry in British Columbia, contribution to income from operations in the North Sea and some strengthening of business in the Western Arctic.

Revenues and expenses for the period from July 1, 1970 to March 31, 1973 of a 50% owned company, accounted for on the equity basis have been included in the figures below for comparative purposes. Return on net assets for 1973 has been determined assuming the 50% owned company had been wholly owned for the full year.





	1974	1973	1972	1971	1970
	(thousands of dollars)				
Revenues	**51,078**	43,504	32,797	27,545	24,766
Costs and expenses					
Cost of services	**36,114**	30,037	21,829	18,749	16,883
Selling, general and administrative	**3,261**	2,936	2,660	2,841	3,108
Depreciation	**3,470**	3,170	2,514	2,343	2,400
Interest on long-term debt	**2,108**	1,635	1,264	1,068	874
Other interest	**141**	89	31	76	126
	45,094	37,867	28,298	25,077	23,391
Income before the following	**5,984**	5,637	4,499	2,468	1,375
Provision for income taxes	**2,987**	2,550	1,020	(493)	(183)
Minority interest	—	260	1,550	1,479	835
Loss on operations of discontinued business, net of income taxes	—	—	258	333	(31)
	2,987	2,810	2,828	1,319	621
Income before extraordinary item	**$ 2,997**	$ 2,827	$ 1,671	$ 1,149	$ 754
Net assets	**$53,101**	$42,142	$22,986	$20,795	$17,382
Return on net assets	**7.76%**	8.24%	8.68%	6.90%	5.78%

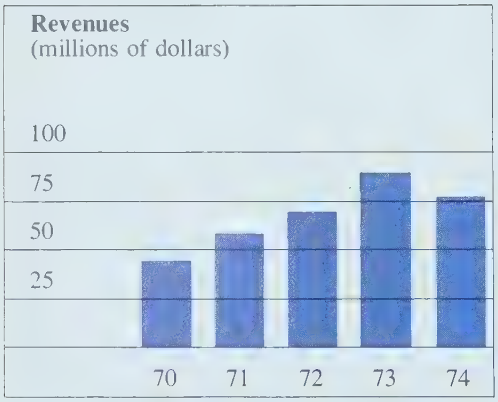
Import-Export and Industrial Products

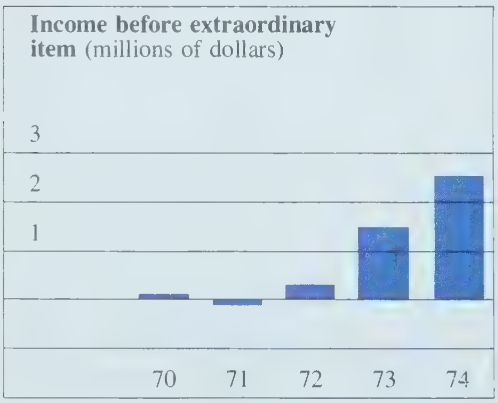
Genstar is engaged in the import into the United States of primary and semi-finished metals for sale to distributors, fabricators and end-users, and the export of industrial products from the United States mainly to the Republic of Zaire. These operations, which may be compared to those of a commission agency, are characterized by large sales volume and low profit margins.

The company also maintains steel warehousing facilities in Chicago, Illinois and Houston, Texas and steel fabricating and distribution facilities at Odessa, Amarillo, and San Antonio. Products distributed include hot rolled bars, structurals, plates and sheet, cold finished steel bars, expanded metals, grating, square and rectangular tubings. The fabricating plants in Texas produce engineered equipment and custom fabrication for the oil, gas, chemical, mining and agricultural industries.

The import-export division and the steel warehousing and fabricating operations recorded sizable income gains for 1974 despite shortages of materials for import. These gains resulted from the employment of warehousing and fabricating facilities at optimum capacity at most Texas plants as well as from higher market prices and record imports of zinc and ferro-nickel metals.

During 1975 materials are expected to be in more than adequate supply but due to the widespread economic slowdown, overall earnings are not expected to repeat the records set in 1974.





	1974	1973	1972	1971	1970
	(thousands of dollars)				
Revenues	**75,338**	89,788	67,049	60,901	43,557
Costs and expenses					
Cost of sales	**68,551**	83,682	62,839	57,509	40,173
Selling, general and administrative	**1,832**	2,770	2,854	2,661	2,301
Depreciation	**196**	189	188	138	116
Interest on long-term debt	**202**	110	152	101	405
Other interest	**725**	529	372	487	342
	71,506	87,280	66,405	60,896	43,337
Income before the following	**3,832**	2,508	644	5	220
Provision for income taxes	**1,275**	963	182	(14)	86
Loss on operations of discontinued business, net of income taxes	**—**	—	142	143	47
	1,275	963	324	129	133
Income (loss) before extraordinary item	**$ 2,557**	$ 1,545	$ 320	$ (124)	$ 87
Net assets	**$16,869**	$16,377	$14,366	$16,924	$18,462
Return on net assets	**17.91%**	11.39%	4.05%	1.08%	2.57%

Investments

Venture Capital

The company's venture capital operations, headquartered in Palo Alto, California, provide equity funds for young companies in growth industries. Investments are held for long-term appreciation, normally at least five years, with the objective of creating and building major, well-established companies. As of December 31, 1974 the venture capital portfolio consisted of securities in 29 companies.

Throughout the year efforts were focused on working with the existing portfolio and seeking additional investments in those companies with exceptional prospects. Additional investments were made in the following seven portfolio companies:

Xidex Corporation — Sunnyvale, California — vesicular microfilm and microprinting services.
Qume Corporation — Hayward, California — serial printers for the word processing and computer terminal industries.
Business Systems Technology — Orange, California — memory systems for IBM System/3 computer users.
Lexitron Corporation — Canoga Park, California — advanced typing and text revision systems for the word processing industry.
Advanced Memory Systems — Sunnyvale, California — semiconductor memory systems and components.
Lancet Medical Industries — Portland, Oregon — clinical laboratories offering services to the medical community.
DynaStor Inc. — Denver, Colorado — disk storage for computer based systems.

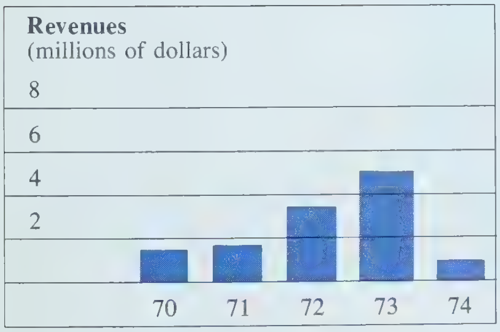
Uncertainties about the U. S. economy were greater in 1974 than in any other recent year. The lack of investor confidence practically prohibited public offerings by successful young companies and stock values were extraordinarily depressed. As a result, no securities were sold for a gain during 1974.

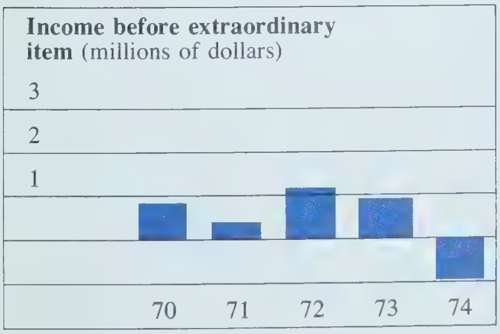
Two portfolio companies, Xytex and Braegan, were merged into a public company at a loss. Another loss was sustained when Antex distributed its assets. Throughout the year, however, many companies in the portfolio continued to make excellent progress in their respective businesses.

The company is actively seeking new investments in companies with creative ideas and experienced managements. The current economic climate provides an attractive opportunity for those venture firms willing to invest for the long-term.

Other Investments

In April 1974 Genstar sold its 13 per cent shareholding in Fraser Companies, Limited for more than $8.5 million.





	1974	1973	1972	1971	1970
		(thousands of dollars)			
Revenues	**992**	4,905	3,430	1,693	1,505
Costs and expenses					
Cost of sales	**1,578**	2,479	905	335	62
Selling, general and administrative	**432**	659	362	332	121
Depreciation	**8**	6	—	2	—
Interest on long-term debt	**355**	385	508	353	363
Other interest	**153**	123	84	165	108
	2,526	3,652	1,859	1,187	654
Income (loss) before the following	**(1,534)**	1,253	1,571	506	851
Provision for income taxes	**(568)**	316	425	151	(13)
Income (loss) before extraordinary item	**$ (966)**	$ 937	$ 1,146	$ 355	$ 864
Net assets	**$16,306**	$19,220	$20,226	$17,758	$14,654
Return on net assets	**(3.96)%**	6.85%	7.17%	3.52%	7.57%


Alaska
Beaufort Sea
Yukon
Mackenzie River
Northwest Territories
Great Slave Lake
British Columbia
Terrace
Kitimat
Prince George
Alberta
Fort McMurray
Saskatchewan
Edmonton
Hudson Bay
Nelson River
Victoria
Kamloops
Vancouver
Red Deer
Calgary
Lethbridge
Saskatoon
Regina
Lake Winnipeg
Manitoba
Portage La Prairie
Winnipeg
James Bay
Québec
Ontario
Thunder Bay
Grand Falls
Summerside
Québec
Saint John
Presque Isle
Montréal
Hull
Ottawa
Toronto
San Francisco
United States
Chicago
New York
Los Angeles
Amarillo
Odessa
Houston
San Antonio
Mexico

Consolidated Statements of Income

For the years ended
December 31, 1974 and 1973
(thousands of dollars)

	1974	1973
Revenues		
Net sales and services	**645,868**	509,589
Net income of 50% owned companies	**1,447**	1,086
Investment income	**1,307**	1,119
	648,622	511,794
Costs and Expenses		
Cost of sales and services	**487,361**	392,518
Selling, general and administrative	**50,228**	38,732
Depreciation, depletion and amortization	**24,244**	20,028
Interest on long-term debt	**10,285**	8,533
Other interest	**7,530**	3,954
	579,648	463,765
Income Before Income Taxes	**68,974**	48,029
Provision for income taxes		
Current	**28,500**	23,500
Deferred	**5,400**	(500)
	33,900	23,000
Net Income for the Year	**$ 35,074**	$ 25,029

Net Income per Common Share

		1974	1973
Canadian Method	Basic	**$3.06**	$2.52
	Fully diluted	**2.71**	2.18
United States Method	Primary	**3.05**	2.51
	Fully diluted	**2.77**	2.24

See notes to consolidated financial statements

Consolidated Balance Sheets

As at December 31, 1974
and 1973
(thousands of dollars)

	1974	1973
Assets		
Current Assets		
Cash and term deposits	**11,176**	11,253
Accounts receivable—trade	**118,446**	94,179
—other	**5,273**	2,526
Inventories	**164,556**	106,950
Prepaid expenses	**4,350**	1,603
	303,801	216,511
Other Assets	**2,961**	2,220
Investments		
Portfolio securities	**11,513**	19,588
50% owned companies	**3,994**	2,473
Revenue properties	**3,798**	6,317
Mortgages and loans	**3,496**	3,306
	22,801	31,684
Fixed Assets		
Properties, plants and equipment	**443,841**	403,636
Accumulated depreciation and depletion	**201,754**	187,700
	242,087	215,936
Intangible Assets arising from acquisitions	**35,073**	34,951
	$606,723	$501,302

On behalf of the Board

Director

Director Angus A. MacNaughton

	1974	1973
Liabilities		
Current Liabilities		
Short-term borrowings	**84,133**	33,870
Accounts payable — trade	**76,490**	55,486
— other	**8,156**	3,262
Income taxes	**23,402**	21,195
Dividends payable	**1,497**	2,031
Mortgage advances and loans	**27,816**	17,242
Current portion of long-term debt	**16,065**	17,462
	237,559	150,548
Other Liabilities	**5,468**	4,010
Long-Term Debt	**93,209**	109,086
Deferred Income Taxes	**44,455**	39,055
	380,691	302,699
Shareholders' Equity		
Capital Stock	**151,416**	146,188
Contributed Surplus	**6,967**	6,967
Retained Earnings	**67,649**	45,448
	226,032	198,603
	$606,723	$501,302

See notes to consolidated financial statements

Consolidated Statements of Changes in Financial Position

For the years ended December 31, 1974 and 1973 (thousands of dollars)

	1974	1973
Source of Funds		
Net income for the year	**35,074**	25,029
Items not affecting funds		
Depreciation, depletion and amortization	**24,244**	20,028
Deferred income taxes	**5,400**	(500)
Other	**(112)**	1,048
Funds from operations	**64,606**	45,605
Sale of		
Investments	**13,920**	17,823
Fixed assets	**7,394**	2,136
Other assets	**274**	78
Issue or assumption of		
Long-term debt	**4,181**	43,544
Deferred income taxes	**—**	12,127
Capital stock	**5,228**	45,194
Other liabilities	**365**	913
Reduction of United States income taxes	**23**	233
	95,991	167,653
Application of Funds		
Purchase of		
Investments	**3,881**	7,424
Fixed assets	**55,771**	98,226
Intangible assets	**188**	—
Other assets	**1,097**	109
Payment or reduction of		
Long-term debt	**20,058**	38,087
Dividends	**12,896**	8,143
Other liabilities	**1,821**	657
	95,712	152,646
Working Capital		
Increase for the year	**279**	15,007
At beginning of year	**65,963**	50,956
At end of year	**$ 66,242**	$ 65,963

See notes to consolidated financial statements

Consolidated Statements of Changes in Financial Position

(continued)

	1974	1973
Changes in Elements of Working Capital		
Current Assets *Increase (Decrease)*		
Cash and term deposits	**(77)**	6,144
Accounts receivable — trade	**24,267**	15,530
— other	**2,747**	(2,546)
Inventories	**57,606**	9,914
Prepaid expenses	**2,747**	555
	87,290	29,597
Current Liabilities *Increase (Decrease)*		
Short-term borrowings	**50,263**	(3,428)
Accounts payable — trade	**21,004**	18,433
— other	**4,894**	(5,662)
Income taxes	**2,207**	7,028
Dividends payable	**(534)**	634
Mortgage advances and loans	**10,574**	(7,086)
Current portion of long-term debt	**(1,397)**	4,671
	87,011	14,590
Increase in Working Capital for the Year	**$ 279**	$15,007

Consolidated Statements of Retained Earnings

For the years ended December 31, 1974 and 1973 (thousands of dollars)

	1974	1973
Balance — Beginning of Year	**45,448**	28,329
Net income for the year	**35,074**	25,029
Reduction of United States income taxes	**23**	233
	80,545	53,591
Dividends — preferred shares	**1,319**	—
— common shares	**11,577**	8,143
	12,896	8,143
Balance — End of Year	**$67,649**	$45,448

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

For the years ended December 31, 1974 and 1973

1. Accounting Policies

Consolidation
The accounts of all subsidiaries are consolidated either from the date of acquisition on the basis of purchase accounting or retroactively on the basis of pooling of interests accounting.

Foreign Exchange
The accounts in foreign currencies are translated into Canadian dollars at the rates of exchange on the balance sheet dates for current assets and current liabilities, on the date of the transaction for other balance sheet accounts and related depreciation, depletion and amortization and at the average rate for the year for revenues and expenses. Unrealized exchange losses are charged to income and unrealized exchange gains are deferred.

Inventories
Inventories are valued at the lower of cost or net realizable value. Cost is determined principally on the first-in first-out basis except for the cost of real estate and housing inventories which is determined on the specific item basis including interest and property taxes on real estate prior to development and improvements on real estate under development.

Investments
Portfolio securities and mortgages and loans are valued at the lower of cost or net realizable value. 50% owned companies and revenue properties are carried on the equity basis.

Fixed Assets
Properties, plants and equipment are carried at cost. Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to income. When assets are sold or retired, their cost and accumulated depreciation or depletion are removed from the accounts and any gain or loss resulting from their disposal is included in income.

Depreciation and depletion is provided by annual charges to income calculated on the unit of extraction method for quarries and gravel deposits and principally on the straight-line method for plants and equipment. The estimated useful life of plants and equipment varies from four to forty years, with the composite average life being approximately seventeen years.

Intangible Assets
Intangible assets arising from acquisitions include the excess of purchase price over the net book value of identifiable assets at the date of acquisition for business combinations prior to November 1, 1970 and the excess of purchase price over the net fair value of identifiable assets at the date of acquisition for business combinations subsequent to November 1, 1970.

Amortization of amounts relating to acquisitions subsequent to November 1, 1970 is charged to income on the straight-line basis over forty years. Unamortized amounts are charged to income in the event of diminution in value.

Revenue Recognition
Revenues from the sale of manufactured products and housing units are recognized upon passage of title to the customer which generally coincides with their delivery and acceptance. Real estate revenues are recognized in the period in which the transactions occur provided the earning process is complete and collectibility of the proceeds assured, or on the basis of performance or instalment over the periods necessary to complete these requirements. Revenues from construction are recognized on the percentage of completion method. Claims resulting from escalation of major cost elements or changes in construction contracts are recorded only upon settlement of claims and receipt of funds.

Income Taxes
Deferred income taxes are provided on items included in the determination of consolidated net income irrespective of the timing of the recognition for tax purposes of such items including principally depreciation, depletion and contract holdbacks. Provisions have not been made for withholding taxes on undistributed earnings of foreign subsidiaries inasmuch as such earnings are being reinvested in foreign operations.

2. Accounts Receivable

Trade accounts receivable include $13,183,000 at December 31, 1974 and $5,448,000 at December 31, 1973 representing amounts arising from construction contracts with original durations of more than one year. It is estimated that $7,844,000 of the amount outstanding at December 31, 1974 will be collected in 1975 and substantially all of the balance in 1976.

3. Inventories

	1974	1973
	(thousands of dollars)	
Finished goods	**28,067**	15,873
Work in process	**26,458**	21,500
Raw materials and supplies	**31,131**	18,090
Real estate held for development and sale	**70,091**	44,232
Maintenance and repair parts	**8,809**	7,255
	$164,556	$106,950

4. Investments

Portfolio securities include marketable shares carried at values of $4,228,000 at December 31, 1974 and $12,370,000 at December 31, 1973 which approximate their quoted values. Investments in 50% owned companies are represented by net assets of $3,994,000 at December 31, 1974 and $2,473,000 at December 31, 1973.

5. Fixed Assets

	1974		1973	
	Cost	*Accumulated Depreciation and Depletion*	*Cost*	*Accumulated Depreciation and Depletion*
	(thousands of dollars)			
Plant sites	**13,151**	**—**	13,865	—
Quarries and gravel deposits	**23,120**	**4,169**	23,497	3,707
Buildings	**73,766**	**28,275**	70,035	26,599
Machinery and equipment	**333,804**	**169,310**	296,239	157,394
	$443,841	**$201,754**	$403,636	$187,700

6. Intangible Assets

Intangible assets arising from acquisitions subsequent to November 1, 1970 amount to $2,657,000. Accumulated amortization thereon amounted to $248,000 at December 31, 1974 and $181,000 at December 31, 1973.

7. Short-term Borrowings

	1974	1973
	(thousands of dollars)	
Bank advances	**61,318**	31,160
Short-term promissory notes	**22,815**	2,710
	$84,133	$33,870

Bank lines of credit amounted to $121,275,000 at December 31, 1974 and $91,087,000 at December 31, 1973, of which $61,450,000 and $44,600,000 respectively, are secured by pledges of certain accounts receivable and inventories. Unused bank lines of credit are maintained for short-term promissory notes with an authorized limit of $25,000,000 at December 31, 1974.

8. Long-term Debt

	1974		1973	
	Current Portion	*Total*	*Current Portion*	*Total*
	(thousands of dollars)			
5⅞% to 8% First mortgage sinking fund bonds due to 1992	**2,931**	**42,427**	2,997	46,166
Term bank loans at prime rates plus ¾% to 1¼% due to 1983	**7,740**	**41,475**	5,590	43,215
6½% Convertible debentures due in 1992	**—**	**5,967**	—	9,091
5% to 8% Debentures due to 1987	**489**	**4,538**	629	5,369
6% to 9⅜% Mortgages due to 1997	**245**	**2,688**	317	4,040
5% to 11½% Notes due to 1986	**2,895**	**8,304**	1,559	8,647
Non-interest bearing notes due to 1981	**1,765**	**3,875**	6,370	10,020
	$16,065	**109,274**	$ 17,462	126,548
Current portion		**16,065**		17,462
		$ 93,209		$109,086

First mortgage sinking fund bonds in the principal amount of $21,952,000 at December 31, 1974 and $23,256,000 at December 31, 1973 and non-interest bearing notes in the principal amount of $1,570,000 at December 31, 1974 and $3,240,000 at December 31, 1973 assumed on the acquisition of subsidiaries, have been shown after deducting $1,392,000 and $1,653,000 respectively, of interest imputed at rates of 8¼% and 8½%.

Properties, plants and equipment and the shares of certain subsidiaries are pledged as security for first mortgage sinking fund bonds, term bank loans and other secured debt. Indentures pertaining to certain debt issues contain restrictive covenants requiring that defined minimum working capital and shareholders' equity positions be maintained upon payment of dividends.

The following payments are required in the next five years to meet long-term debt instalments and sinking fund provisions: 1975 — $16,065,000; 1976 — $12,584,000; 1977 — $11,972,000; 1978 — $11,296,000; 1979 — $11,943,000.

9. Capital Stock

Authorized

5,000,000 preferred shares — par value of $20 each issuable in series of which 457,978 are designated as Series A $1.10 cumulative convertible, 1,205,970 are designated as Series B $1.20 non-cumulative convertible and 43,127 are designated as Series C non-dividend bearing convertible. The Series A, B and C preferred shares carry voting rights and are redeemable from $20 to $22 each subject to various conditions.

15,000,000 common shares — without nominal or par value.

Issued and Fully Paid	1974		1973	
	Shares	*Amount*	*Shares*	*Amount*
	(thousands)			
Preferred shares — Series A	**195**	**3,911**	194	3,880
— Series B	**919**	**18,372**	880	17,596
— Series C	**43**	**863**	43	863
Common shares	**11,125**	**128,270**	10,813	123,849
		$151,416		$146,188

Common shares are shown after deducting 806,151 shares at their issue price of $15 per share, which were received as a result of previous shareholdings in companies acquired.

The details of common shares issued and fully paid are as follows:	**1974**	1973
	(thousands)	
Balance beginning of year	**10,813**	9,176
Issued in the year —		
At $13.913 on the conversion of long-term debt	**224**	1,504
At $16.48 in payment of long-term debt	**—**	92
At $20.00 on the conversion of preferred shares	**5**	—
At $4.05 to $17.15 under the purchase plan and on the exercise of options and warrants	**83**	41
Balance end of year	**11,125**	10,813

The following shares are reserved for issuance:	**1974**	1973
	(thousands)	
Preferred Shares		
At $20.00 for the exchange of shares of a subsidiary	**—**	46
Common Shares		
At $13.913 for the conversion of debt	**429**	653
At $20.00 for the conversion of preferred shares	**1,157**	1,163
At $7.90 to $17.00 for the exercise of options and warrants	**467**	459
	2,053	2,275

Stock Option Plan

Options have been granted whereby common shares may be purchased by employees at a price equal to 90% of market on the granting date. The details of outstanding options are as follows:

	1974			1973		
	Options held by			*Options held by*		
	Directors & Officers	*Others*	*Option Price*	*Directors & Officers*	*Others*	*Option Price*
	(thousands)			*(thousands)*		
Beginning of year	**27**	**16**	**$ 7.90 to $14.75**	27	56	$4.05 to $14.75
Granted	**6**	**4**	**$13.05**	—	—	—
Exercised	**—**	**2**	**$ 7.90 to $14.75**	—	40	$4.05 to $14.75
End of year	**33**	**18**		27	16	

Stock Purchase Plan

Under the terms of the stock purchase plan, trustees have purchased, at a price equal to 99% of market, and hold 142,400 common shares for the benefit of employees who are directors or officers and 55,950 common shares for the benefit of other employees. Included in other assets are advances of $2,544,000 at December 31, 1974 and $1,447,000 at December 31, 1973 made to the trustees who hold the shares as security pending receipt of instalment payments from the participants over seven years including interest at 5% per annum.

10. Income per Common Share

The weighted average number of shares used in calculating income per common share is as follows:

	Canadian		United States	
	1974	1973	**1974**	1973
	(thousands)			
Basic and Primary				
Weighted average common shares	**11,031**	9,921	**11,031**	9,921
Shares pertaining to stock options	**—**	—	**38**	42
	11,031	9,921	**11,069**	9,963
Fully Diluted				
Weighted average common shares	**11,031**	9,921	**11,031**	9,921
Shares pertaining to —				
conversion of debt	**507**	1,496	**507**	1,496
conversion of preferred shares	**1,157**	—	**1,157**	—
options and warrants	**469**	473	**38**	45
	13,164	11,890	**12,733**	11,462

Basic and primary income per common share have been calculated after reducing net income by $1,319,000 in 1974 being the dividends on Series A and B preferred shares.
Net income used in determining fully diluted income per common share has been increased by $229,000 in 1974 and $672,000 in 1973 being the after tax effect of interest on debt assumed to be converted. Net income was further increased for purposes of calculating Canadian fully diluted income per common share by $402,000 in 1974 and $202,000 in 1973 to give effect to an imputed return of six per cent on funds which would have been available on the exercise of options and warrants.

11. Additional Information

Retirement Plans

Retirement plans exist under which employees are eligible to participate after varying years of employment and are eligible for benefits at age 65. Contributions to plans for salaried and hourly employees charged to income were $1,761,000 in 1974 and $1,230,000 in 1973, including prior service costs. Revisions to the plans in 1973 and 1974 increasing benefits resulted in an unfunded liability of approximately $4,500,000 at December 31, 1974 which is being funded and charged to income over periods up to seventeen years.

Remuneration of Directors and Officers

In 1974, aggregate direct remuneration paid or payable by the company and its subsidiaries to 20 directors, 2 of whom were also officers of subsidiary companies, and 6 past directors was $1,059,000. Aggregate direct remuneration paid or payable by the company to 12 officers, 3 of whom were also directors, was $1,498,000. In 1973, aggregate direct remuneration paid by the company and its subsidiaries to 17 directors, 2 of whom were also officers of subsidiary companies, was $172,000 and aggregate direct remuneration paid to 10 officers, 3 of whom were also directors, was $582,000.

Notes to Consolidated Financial Statements
(continued)

Reduction of United States Income Taxes
The reductions credited to retained earnings resulted from the sales of investments and revenue properties acquired at costs which were less than their tax bases.

Proportion of Revenue by Industrial Category	**1974**	1973
Building materials	**25%**	23%
Cement	**12%**	9%
Housing and land development	**17%**	22%
Construction	**19%**	15%
Chemicals and fertilizers	**8%**	8%
Marine	**7%**	6%
Import-export and industrial products	**11%**	16%
Investments	**1%**	1%
	100%	100%

12. Commitments and Contingent Liabilities

Various noncancellable lease agreements having an original term extending over one year exist for properties and equipment. Total rental expense relating thereto charged to income was $2,436,000 in 1974 and $1,986,000 in 1973. Minimum annual rentals under these agreements for the following periods amount to: 1975 — $2,340,000; 1976 — $1,664,000; 1977 — $1,408,000; 1978 — $1,208,000; 1979 — $1,107,000; 1980 to 1984 — $3,947,000; 1985 to 1989 — $817,000; 1990 to 1994 — $368,000; 1995 and thereafter — $171,000. Outstanding commitments relating to the construction of plants and the purchase of equipment amount to $17,200,000 at December 31, 1974. Indebtedness and contract obligations of other companies have been guaranteed up to $3,000,000 at December 31, 1974.

Auditors' Report to the Shareholders

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

Montreal, Canada
February 7, 1975

We have examined the consolidated balance sheets of GENSTAR LIMITED and subsidiaries as at December 31, 1974 and 1973 and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of GENSTAR LIMITED and subsidiaries as at December 31, 1974 and 1973 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

Chartered Accountants

Consolidated Summary of Operations

For the years ended December 31, 1970 to 1974 (thousands of dollars)

	1974	1973	1972	1971	1970
Revenues	**648,622**	511,794	369,791	280,587	210,745
Costs and expenses					
Cost of sales and services	**487,361**	392,518	281,043	219,043	160,315
Selling, general and administrative	**50,228**	38,732	33,404	22,753	20,790
Depreciation, depletion and amortization	**24,244**	20,028	16,260	11,113	10,501
Interest on long-term debt	**10,285**	8,533	6,031	3,640	3,929
Other interest	**7,530**	3,954	4,072	3,419	3,412
	579,648	463,765	340,810	259,968	198,947
Income before the following	**68,974**	48,029	28,981	20,619	11,798
Provision for income taxes					
Current	**28,500**	23,500	13,954	9,280	3,891
Deferred	**5,400**	(500)	(492)	228	1,483
	33,900	23,000	13,462	9,508	5,374
Loss on operation of discontinued businesses, net of income taxes	**—**	—	400	476	16
	33,900	23,000	13,862	9,984	5,390
Income before extraordinary items	**$ 35,074**	$ 25,029	$ 15,119	$ 10,635	$ 6,408
Income per common share before extraordinary items					
Canadian Method					
Basic	**$ 3.06**	$ 2.52	$ 1.66	$ 1.19	$ .75
Fully diluted	**2.71**	2.18	1.40	1.15	.73
United States Method					
Primary	**3.05**	2.51	1.65	1.18	.75
Fully diluted	**2.77**	2.24	1.43	1.18	.75

Management's Discussion and Analysis of the Consolidated Summary of Operations

Revenue increases of $142,000,000 in 1973 and $137,000,000 in 1974 were partly the result of the consolidation of operations of subsidiaries acquired in the periods. In 1973, $31,000,000 resulted from the acquisition of a subsidiary engaged in shipbuilding and marine transportation and in 1974, $72,000,000 resulted from the acquisition of a subsidiary engaged in the cement, building materials and construction businesses.

The accelerated growth rate of urban centres in Western Canada, due primarily to natural resource development, created strong demand for goods produced and services provided by the company. In 1973 and 1974, increases in revenues of $75,000,000 and $61,000,000 respectively, resulted from this strong demand and related expansion of production facilities.

The chemicals and fertilizers division recorded revenue increases of $8,000,000 in 1973 and $14,000,000 in 1974 caused by a world-wide shortage of nitrogen-based chemicals and fertilizers.

The import-export and industrial products division had increased revenues of $23,000,000 in 1973 as a result of increased imports of non-ferrous metals, particularly zinc and nickel. In 1974, revenues decreased $14,000,000 due to the termination of a sales agency agreement with the division's principal European steel supplier.

In spite of inflationary pressures experienced in 1973 and 1974 on major cost elements, cost of sales and services has remained proportional to revenues and varied from 76.7% of revenues in 1973 to 75.1% in 1974.

Selling, general and administrative expenses increased $2,000,000 in 1973 and $4,000,000 in 1974 as a result of the consolidation of operations of subsidiaries acquired in the periods. In addition, substantial increases in administrative salaries, fringe benefits and general costs were incurred as a result of inflationary pressures.

Depreciation, depletion and amortization increases in 1973 and 1974 were primarily the result of the consolidation of operations of subsidiaries acquired.

Interest on long-term debt increased by $2,500,000 in 1973 and $1,800,000 in 1974 of which $1,000,000 in each of 1973 and 1974 was the result of consolidation of the operations of subsidiaries acquired. In addition, in 1973 and 1974 interest rates on approximately 35% of the company's outstanding long-term debt fluctuated with the bank prime rate of interest.

Other interest expense in 1974 increased by $3,600,000 as a result of high short-term interest rates together with short-term borrowings required to finance the company's operations.

In 1970 and 1972, extraordinary charges of $565,000 for an unrealized loss on foreign exchange and $687,000 for a loss on disposal of a discontinued business reduced net income to $5,843,000 and $14,432,000, respectively.

Preferred Shares

All of the preferred shares were issued in series pursuant to exchange offers for shares of a subsidiary consolidated effective December 31, 1973.

The Series B preferred shares are listed on the Montreal Stock Exchange and on the Brussels Bourse. Dividend rights on the Series A and B preferred shares commenced on January 1, 1974 and the company adopted the policy of paying dividends semi-annually in June and December.

The preferred shares are thinly traded and in 1974, the market value ranged from $17.12 to $19.25 on the Montreal Stock Exchange.

Common Shares

The company adopted a policy of paying semi-annual dividends on common shares in 1973 and paid dividends of 35 cents per share in June, 1973 and 45 cents per share in December, 1973, totalling 80 cents per share.

In 1974, the company adopted a policy of paying quarterly dividends on common shares and paid 25 cents per share in March, June and September of 1974. The quarterly dividend was subsequently increased to 30 cents per share which was paid in December, 1974.

The common shares are without nominal or par value and are listed on the New York, Toronto, Montreal, Alberta and Vancouver Stock Exchanges and the Brussels and Antwerp Bourses. The market price range on the Toronto Stock Exchange for each quarter of 1974 and 1973 follows:

	1974	1973
First quarter	**$16.00 to 20.00**	$16.25 to 18.37
Second quarter	**17.87 to 19.75**	15.62 to 17.50
Third quarter	**12.75 to 18.25**	15.00 to 17.50
Fourth quarter	**13.87 to 15.25**	14.00 to 19.50
Year	**$12.75 to $20.00**	$14.00 to $19.50

Divisions and Subsidiaries

BACM Industries Limited

S. Simkin
Chairman of the Board and Chief Executive Officer
A. L. Simkin, Q.C.
Vice-Chairman and President
I. Spector
Vice-President Engineering and Technical Services
J. J. Denholm
Treasurer
L. M. Smordin
Secretary and Associate Counsel
Main Office
Winnipeg, Manitoba

Building Materials

Ready-mix concrete, concrete block and pipe, sand, gravel and classified aggregates, gypsum wallboard, precast products.

Concrete Products

B. A. Monkman
Chairman and Chief Executive Officer
J. L. Holman
President, Western Region
N. D. MacRitchie
President, Pacific Region
G. K. Cruikshank
Vice-President, Finance

Ocean Construction Supplies Limited — British Columbia

E. J. McCance
Vice-President
L. J. Campbell
Vice-President, Finance

Consolidated Concrete Limited — Alberta

K. G. Evans
Vice-President and General Manager Northern Alberta
H. T. Welch
Vice-President and General Manager Southern Alberta

Redi-Mix Limited — Saskatchewan

H. F. Ward
President and General Manager

Building Products and Provincial Concrete Division — Manitoba

E. Rosenblat
President and General Manager
R. Rosenblat
Vice-President and Operations Manager

Gypsum Products

Truroc Gypsum Products Ltd.

A. J. Smith
President and General Manager
G. R. Thompson
Executive Vice-President
J. B. Hawking
Vice-President, Marketing
B. A. Korun
Vice-President, Manufacturing
A. J. McLellan
Vice-President, Finance and Administration

Precast Concrete Products

Con-Force Products Ltd.

A. W. Falk
President
G. Adam
Vice-President, Marketing
T. J. Bartkiewicz
Vice-President, Operations
F. T. McAleer
Vice-President, Finance and Treasurer
H. Nash
Vice-President, Construction

Construction

I. Simkin
Chairman and Chief Executive Officer
K. C. Kinsley
Executive Vice-President
D. R. Penner
Vice-President
L. J. Herbach
Controller

Heavy Construction Division

B.A.C.M. Construction Company
B.A.C.M. Mine Developers Ltd.

D. S. Duncan
President
H. B. McLenaghan
G. C. Turner
Vice-Presidents

City & Provincial Services

B-A Construction Ltd. — Manitoba
D. G. Mulder
President
R. Handler
R. F. Morris
Vice-Presidents
Mulder Bros. Limited — Manitoba
D. G. Mulder
President

Standard-General Construction Limited — Alberta and British Columbia

R. J. Boon
President
A. J. Berg
O. Babichuk
A. J. Flood
W. J. Smith
Vice-Presidents

Housing and Land Development

A. L. Simkin, Q.C.
Chairman and Chief Executive Officer
T. R. Denton
Executive Vice-President
R. B. Klippenstein
Vice-President, Finance

B.A.C.M. Development Corporation Limited

V. S. G. Lewis
President and General Manager
J. E. Devereaux
Vice-President, Finance and Administration
N. F. Bothwell
Senior Vice-President and General Manager, Pacific Region
E. B. Bodie
Vice-President and General Manager, Winnipeg Region
S. E. J. Richardson
Vice-President and General Manager, Calgary Region
M. H. Rogers
Vice-President and General Manager, Edmonton Region

Engineered Homes Limited

R. A. Orr
Chairman and Chief Executive Officer
C. D. Wilson
President
J. E. Whitaker
Vice-President, Finance
R. J. Cowan
Vice-President and General Manager, Northern Region
G. L. Magnussen
Vice-President and General Manager, Southern Region
P. A. Turner
Vice-President and General Manager, Pacific Region
G. J. McNeil
Vice-President and General Manager, Central Region
G. R. McAthey
Vice-President and General Manager Engineered Products Division

Keith Construction Company Limited

E. V. Keith
Chairman of the Board
E. M. Gustafson
President and General Manager
L. H. Frodsham
Executive Vice-President
R. J. Kimoff
Vice-President
L. Luini
Vice-President, Construction
L. Cosman
Vice-President, Engineering
B. C. Eeles
Treasurer

Cement

Inland Cement Industries Limited
Ocean Cement Limited

Normal portland cement, oilwell cement, high early strength cement, masonry cement, sulphate resistant cement and special potash cement.

D. R. B. McArthur
Chairman of the Board
W. S. Bannister
President and Chief Executive Officer
George Ross
President, Ocean Cement Limited
K. M. Bartlettt
Vice-President, Development
H. B. McEwen
Vice-President, Production
Paul Wacko
Vice-President, Sales
R. J. Zimmel
Vice-President, Administration and Secretary
D. M. Aboussafy
Controller and Treasurer
Main Office
Edmonton, Alberta
Plants
Edmonton, Alberta; Regina, Saskatchewan; Winnipeg, Manitoba; Bamberton, British Columbia.
Distribution Centres
Calgary, Alberta; Saskatoon, Saskatchewan; Thunder Bay, Ontario; New Westminster, Prince George, Kitimat and Fort Nelson, British Columbia.
Sales Offices
Edmonton, Calgary, Alberta; Regina, Saskatoon, Saskatchewan; Winnipeg, Manitoba; Thunder Bay, Ontario; Vancouver, Prince George, British Columbia.

Miron Company Ltd.

Normal portland cement, high early strength cement, oilwell cement, white portland cement, masonry cement, ready-mix concrete, "Add-O-Mix", concrete blocks, bricks and pipe, crushed stone, classified aggregates and sand, bituminous concrete (asphalt) and precast products. Construction services including heavy construction, roads, streets, sidewalks, sewers, paving and excavation.

Louis A.-Lapointe, Q.C.
Chairman of the Board and President
Albert V. Hudon
Executive Vice-President
Bela N. Baranyai
President, Construction Division
Charly Biname
President, Cement Division
C. Wilson Seale
President, Cement Products Division
Laurent Corriveau
Director of Personnel
Claude J. E. Dupont
General Counsel & Secretary
François Lacroix
Vice-President, Mobile Equipment
Jacques B. Langevin
Senior Vice-President and Director of Public Relations
Jacques Lemoine
Vice-President, Administration
Gunnar O. Porko
Senior Vice-President and Director of Development
Main Office
Montreal, Quebec
Cement Plant
Montreal, Quebec
Ready-Mix Concrete Plants
Montreal, Tracy, Brossard, Île Perrot, Hull, Quebec; Fallowfield, Ontario.
Concrete Block & Pipe Plants
Montreal, Quebec.
Pits & Quarry Properties
Montreal, St-Constant, St-Lazare, Quebec; Fallowfield, Ontario.
Cement Distribution Centres
Quebec City, Quebec; Fallowfield, Ottawa, Toronto, Ontario.

Marine

Seaspan International Ltd.

Marine towing, barge transportation and salvage operations in the ports of Vancouver and Victoria, the Pacific coastal waters and the high seas.

James C. F. Stewart
Chairman and Chief Executive Officer
J. R. A. Lindsay
President
R. E. Tolhurst
Vice-President, Operations
John F. Pearson
Vice-President and Secretary-Treasurer
J. S. Heyrman
Vice-President, Research & Development
Main Office
North Vancouver, British Columbia
Branch Office
Victoria, British Columbia.

Vancouver Shipyards Co. Ltd.

Ship building and ship repairing; Syncrolift docking.

James C. F. Stewart
Chairman and Chief Executive Officer
A. M. Fowlis
President
John F. Pearson
Vice-President and Secretary-Treasurer
Victor Gadsby
Manager
Main Office
North Vancouver, British Columbia.

McAllister Towing & Salvage Ltd.

Berthing ships in the port of Montreal, marine towing, salvage and pollution control throughout Eastern Canada.

Donal G. McAllister
President
Trevor H. Caron
Secretary-Treasurer
Main Office
Montreal, Quebec.

Venture Capital and Real Estate

Genstar Pacific Corporation

Offices of all divisions are located in California.

D. R. B. McArthur
Deputy Chairman of the Board
Gregor G. Peterson
President
Dale R. Blanchard
Vice-President and Treasurer

Sutter Hill Limited

Development of shopping centres and residential properties, principally in California.

Jack R. Taylor
President
John L. de Benedetti
Executive Vice-President
J. Richard McMichael
Vice-President
Sarah W. Brown
Treasurer and Controller
Main Office
Palo Alto, California

Sutter Hill Ventures
Sutter Hill Capital Corporation

Venture capital investment activities primarily in technology related companies.

William H. Draper III
President
Paul M. Wythes
Vice-President
David L. Anderson
Treasurer and Secretary
Main Office
Palo Alto, California.

Broadmoor Homes, Inc.

Richard B. Smith
President
Glen H. Brengle
Executive Vice-President
Roland F. Osgood
Senior Vice-President
Main Office
Tustin, California.

FIRST AMERICAN

First American Title Guaranty Company

Title abstract and escrow services.

Gerry A. Verssen
Chairman of the Board
William B. Morrish
President
Main Office
Oakland, California.

Chemicals and Fertilizers

NUTRITE BULL'S EYE

Brockville Chemical Industries Limited

Industrial chemicals and gases, fertilizers and fertilizer materials, including ammonia, ammonium nitrate, urea, nitrogen solutions, nitric acid, hydrogen, carbon dioxide, nitrogen.

B. T. Johnson
Chairman of the Board and Chief Executive Officer
J. C. Chantraine
Vice-President Production and Development
R. A. Parkes
Vice-President, Marketing
J. S. Harrison
Director of Administration
Main Office
Montreal, Quebec
Chemical Plant & Office
Maitland, Ontario
Fertilizer Division Offices
Toronto, Ontario; Montreal, Quebec; Saint John, New Brunswick.
Fertilizer Plants & Offices
Hanover, Alliston, Toronto, Welland, Elmira, Cornwall, and Chesterville, Ontario; Montreal, Ste. Foy, Victoriaville, St. Arsène and Ste. Rosalie, Quebec; Saint John and Drummond, New Brunswick; Summerside, Prince Edward Island; Presque Isle, Maine.

Import-Export and Industrial Products

indussa CORPORATION

Indussa Corporation

General mill representatives and importers specializing in ferrous and non-ferrous metals from world suppliers to the United States and the export of domestic United States products.

Victor V. Shick
President
John Leroy
Vice-President
Arthur Scotto
Treasurer and Assistant Secretary
Howard H. Bachrach
Secretary
Main Office
New York, N.Y.

Markle Steel Company

Steel distributors and fabricators.

J. Brooks Williams
President
Main Office and Warehouse
Houston, Texas
Fabrication Plants
San Antonio, Odessa, Amarillo, Texas.

Counsel

Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick
Montreal, Canada
Shearman & Sterling
New York, U.S.A.

Auditors

Coopers & Lybrand
Montreal, Canada

Transfer Agents & Registrars

Montreal Trust Company —
Transfer Agent
Saint John, Montreal, Toronto, Winnipeg, Edmonton and Vancouver, Canada
The Royal Trust Company —
Registrar
Saint John, Montreal, Toronto, Winnipeg, Edmonton and Vancouver, Canada
Morgan Guaranty Trust Company Of New York —
Co-Tranfer Agent
New York, U.S.A.
The First National City Bank —
Co-Registrar
New York, U.S.A.

Stock Exchanges

Montreal, Toronto, Alberta and Vancouver Stock Exchanges in Canada
New York Stock Exchange in the United States
Antwerp and Brussels Bourses in Belgium
Symbol GST

Corporate Office

Genstar Limited
One Place Ville Marie
Montreal, Canada H3B 3R1

Genstar Western Limited
1111 West Hastings Street,
Vancouver, Canada V6E 2J3

PRINTED IN CANADA